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INFO OCT-01 ISO-00 EURE-00 EB-11 CIAE-00 PM-07 INR-10 L-03

NEA-10 NSAE-00 PA-04 RSC-01 PRS-01 SPC-03 USIA-15

TRSE-00 SAJ-01 SCI-06 SCEM-02 SS-20 NSC-10 COME-00

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C O N F I D E N T I A L SECTION 1 OF 2 USNATO 6160

E.O. 11652: GDS, 12/31/79

TAGS: MARR, US, NATO

SUBJECT: CEP: THE CURRENT OIL SITUATION

REF: A. USNATO 6144; B. STATE 240862

INTERIOR FOR OOG/PRESLEY

1. SUMMARY: REPORT BY THE PETROLEUM PLANNING COMMITTEE (PPC), C-M(73)128, IS ON NAC AGENDA FOR DECEMBER 19 (REF A). THE SCEPC COMMENTS ON THE REPORT ARE EXPECTED TO BE ISSUED DEC. 18 AS C-M(73)132. TEXT IS QUOTED BELOW. END SUMMARY.

2. QTE-

C-M(73)132

THE CURRENT OIL SITUATION
COMMENTS BY THE SENIOR COMMITTEE ON THE REPORT BY THE
PETROLEUM PLANNING COMMITTEE

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THE SENIOR CIVIL EMERGENCY PLANNING COMMITTEE (SCEPC) AT ITS MEETING OF 12TH DECEMBER DISCUSSED THE REPORT BY THE PETROLEUM PLANNING COMMITTEE (PPC) ON THE CURRENT OIL SITUATION AT ANNEX TO C-M(73)128 AND A BRIEFING GIVEN BY

THE CHAIRMAN PPC, UP-DATING THE FACTUAL INFORMATION CONTAINED IN THE REPORT.

2. IN PARTICULAR, THE SCEPC NOTED THAT:

(A) THE SHORTFALL F TOTAL OIL REQUIREMENTS QUOTED IN PARA. (1) OF THE REPORT, REFERRED TO THE RATE OF CONSUMPTION ENVISAGED FOR END 1973/EARLY 1974 PRIOR TO THE OUTBREAK OF THE NEAR EAST CRISIS, AND NOT TO THE REDUCED LEVEL OF CONSUMPTION NOW ACHIEVED IN MEMBER COUNTRIES;

(B) ARAB COUNTRIES HAD RECENTLY AGREED TO FURTHER REDUCE AS OF JANUARY, 1974, THEIR CRUDE OIL PRODUCTION BY 3,75 PERCENT COMPARED TO SEPTEMBER, 1973 OUTPUT, AND THAT SUCH ADDITIONAL SHORTFALL IN SUPPLIES WOULD BE FELT IN FEBRUARY/ MARCH, 1974.

3. THE SENIOR COMMITTEE ENDORSED THE REPORT ON THE CURRENT OIL SITUATION (1) AND IN THE LIGHT OF 2(B) ABOVE AND THE FACT THAT THE SITUATION MIGHT FURTHER DETERIORATE:

(A) DECIDED TO REHEARSE AND REVIEW NATO CRISIS MANAGEMENT PROCEDURES IN REGARD TO OIL SUPPLIES IN A MEETING TO BE HELD ON 31ST JANUARY/1ST FEBRUARY, 1974;

(B) AGREED THAT THE PARTICIPANTS IN THIS REHERSAL SHOULD BE LIMITED TO MEMBERS OF THE SENIOR COMMITTEE, SUPPORTED BY AD HOC OIL CONSULTANTS, MEMBERS OF THE PPC, IF AVAILABLE, THE IS AND THE IMS;

(C) SUGGESTED TO MEMBER NATIONS THAT THEY MIGHT WISH TO REINFORCE THEIR REPRESENTATION ON THE COMMITTEE ON THE OCCASION OF THIS REHEARSAL;
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(D) INVITED THE CEP DIRECTORATE, IN CONJUNCTION WITH MEMBERS OF THE SENIOR COMMITTEE AND THE CHAIRMAN OF PPC AND THE IMS, TO PUT IN HAND THE ARRANGEMENTS FOR THIS REHEARSAL AS SOON AS POSSIBLE.

4. FOR THIS REASON AND TO RELIEVE THE PRESSURE OF NATIONAL OIL STAFFS, THE SENIOR COMMITTEE ALSO DECIDED THAT NO NATIONAL OR INTERNATIONAL PROBLEM RELATING TO OIL SUPPLIES OR STOCKS SHOULD BE RAISED IN THE COURSE OF EXERCISE HILEX 6.

5. THE SENIOR COMMITTEE FURTHER NOTED:

(A) THAT PARA. 4(A)(I) OF THE REPORT REFERRED TO THE SUBMISSION TO NATO HEADQUARTERS OF COPIES OF THE MONTHLY REPORTS BY MEMBER GOVERNMENTS ON OIL STOCKS TO OECD; THAT A FEW COUNTRIES COULD ONLY SUBMIT QUARTERLY REPORTS TO OECD AND COPIES THEREOF TO NATO HEADQUARTERS;

(B) THAT THE DIRECTORS OF THE JOINT OPERATIONAL STAFFS OF THE NATO WARTIME OIL ORGANIZATION (NWO) WOULD SUGGEST, BY 15TH JANUARY, 1974, CANDIDATES FROM THE OIL INDUSTRY WHO MIGHT BE NOMINATED ON AN AD HOC BASIS AS OIL CONSULTANTS IN SUPPORT OF THE COUNCIL AND THE SENIOR COMMITTEE, AS ENVISAGED IN C-M(71)17;

(C) THE STATEMENT BY THE UNITED STATES REPRESENTATIVE THAT CRITERIA SHOULD BE ESTABLISHED CONCERNING THE MINIMUM LEVEL OF CIVIL POL STOCKS WHICH SHOULD BE MAINTAINED BY NATIONS FOR DEFENCE PURPOSES, AND HIS SUGGESTION THAT SUCH STOCKS SHOULD BE SUFFICIENT TO MEET THE REQUIREMENTS OF DEFENCE INDUSTRIES AND SUPPORTING SERVICES FOR A PERIOD OF AT LEAST 60 DAYS.

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6. THE COUNCIL MAY WISH, IN ADDITION TO THE RECOMMENDATIONS CONTAINED IN PARA. 3 OF THE COVER NOTE TO C-M(73)128, TO NOTE:

(A) THE UP-DATED INFORMATION CONTAINED IN
PARA, 2;

(B) THE ARRANGEMENTS ENVISAGED IN PARA. 3 ABOVE
FOR A REHEARSAL AND REVIEW BY THE SENIOR
COMMITTEE OF NATO CRISIS MANAGEMENT ARRANGE-
MENTS IN THE FIELD OF OIL SUPPLIES.

(C) THE COMMENTS OFFERED BY THE SENIOR COMMITTEE
ON THE REPORT IN PARA. 5.
END QTE.

3. US REP TO SCEPC REINFORCED, MR. D. J. CRONIN, DEPUTY
DIRECTOR, OFFICE OF PREPAREDNESS, FOLLOWED INSTRUCTIONS
(REF B), AS REFLECTED IN SCEPC REPORT QUOTED ABOVE AT
PARA 2(A), 5 (A) AND 5 (C). REGARDING LATTER PARAGRAPH,
COMMITTEE COULD NOT AGREE ON LEVEL OF CIVIL STOCKS TO
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BE MAINTAINED FOR DEFENSE PURPOSES. IT WAS CONSIDERED THAT
A CIVIL LEVEL WHICH WOULD MATCH THE MILITARY MINIMUM STOCK
LEVEL OF 30 DAYS MIGHT BE ADEQUATE. THE INTERNATIONAL STAFF
ARGUED THAT EEC AND OECD RECOMMENDED A 65 DAY CIVIL RESERVE
STOCK LEVEL. SIXTY DAY LEVEL SUGGESTED BY THE US REP
WAS EFFORT TO SET UP TARGET FIGURE FOR SUBSEQUENT DISCUSSION.

4. INCLUSION OF SCEPC DECISIONS CONCERNING HILEX-6 OIL
SECNARIO ARE INCLUDED IN C-M(73)132 AS AN ADMINISTRATIVE
ATTEMPT TO KEEP CEP DISCUSSION OF OIL PROBLEM UNDER
GENERAL HEADING OF THE CURRENT OIL CRISIS AND TO BRING
TO COUNCIL ATTENTION SCEPC AGREEMENT TO DELETE OIL
SCENARIO FROM HILEX-6. SCEPC DECISION BASED ON BELIEF
THAT OIL STOCK POSITION MAY FURTHER DETERIORATE AND
AND JEOPARDIZE DEFENSE CAPABILITIES. WAITING UNTIL MARCH
HILEX EXERCISE TO TEST PROCEDURES MIGHT BE TOO LATE.
ACCORDINGLY, COMMITTEE AGREED TO REHEARSAL OF SCEPC
CRISIS MANAGEMENT PROCEDURES IN LATE JANUARY WITH A
SCENARIO ATTUNED TO CURRENT SITUATION.

5. COMMENTS ON PARAS 1(A) AND (G), REF B, CONCERNING
EEC ENERGY GROUP AND NATO PPC AND ECON COMMITTEE RELATION-
SHIPS REPORTED SEPTEL.

6. NO FURTHER GUIDANCE REQUIRED UNLESS WASHINGTON WISHES
TO COMMENT ON CHANGE TO HELEX-6.
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